COMMUNITY FOUNDATION
SERVING WESTERN VIRGINIA

FINANCIAL REPORT

JUNE 30, 2019

BROWNEDWARDS
certified public accountants

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

FINANCIAL REPORT

June 30, 2019

CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Governors
Community Foundation Serving Western Virginia
Roanoke, Virginia

We have audited the accompanying financial statements of Community Foundation Serving Western Virginia, a not-for-profit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Foundation Serving Western Virginia as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14. Not-for-Profit Entities (Topic 958): Presentation of financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We previously audited the Foundation's June 30, 2018 financial statements, and our report, dated December 12, 2018, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Roanoke, Virginia
February 11, 2020

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 1,056,069	$ 1,018,976
Investments (Notes 1, 2 and 3)	71,346,528	68,487,485
Contributions receivable from remainder trusts and estates (Note 5)	7,623,831	4,130,437
Educational loans receivable, net (Note 6)	388,260	-
Prepaid expenses	17,043	15,642
Property and equipment, net	46,561	36,611
	$ 80,478,292	$ 73,689,151
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grants payable	$ 103,330	$ 97,400
Accounts payable and accrued liabilities	52,295	35,194
Annuity obligations (Note 1)	174,853	155,003
Agency funds (Note 1)	3,197,593	3,144,246
Total liabilities	3,528,071	3,431,843
NET ASSETS		
Without Donor Restriction (Note 1):		
Undesignated	8,945,547	7,768,196
Field of interest	22,158,018	20,939,826
Designated	6,604,749	6,562,850
Advised	14,720,650	14,899,620
Scholarship	16,426,096	15,888,703
	68,855,060	66,059,195
With Donor Restrictions (Note 1)	8,095,161	4,198,113
Total net assets	76,950,221	70,257,308
	$ 80,478,292	$ 73,689,151

The Notes to Financial Statements are an integral part of these statements.

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	$ 2,665,229	$ 4,929,831	$ 7,595,060
Interest and dividend income	648,186	2,432	650,618
Administrative fees	887,095	-	887,095
Unrealized gains on investments	83,537	(644)	82,893
Realized gains on investments	2,700,613	9,407	2,710,020
Change in receivables from trusts and estates	-	291,921	291,921
Change in annuity obligations	-	(19,850)	(19,850)
Net assets released from donor restrictions	1,316,049	(1,316,049)	-
Total support and revenues	8,300,709	3,897,048	12,197,757
EXPENSES			
Program services and grant making	3,553,809	-	3,553,809
General and administrative	1,534,935	-	1,534,935
Investment management fees	248,391	-	248,391
Fundraising	167,709	-	167,709
Total expenses	5,504,844	-	5,504,844
Change in net assets	2,795,865	3,897,048	6,692,913
NET ASSETS			
Beginning	66,059,195	4,198,113	70,257,308
Ending	$ 68,855,060	$ 8,095,161	$ 76,950,221

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUES			
Contributions	$ 3,989,293	$ 2,216,943	$ 6,206,236
Interest and dividend income	498,352	1,767	500,119
Administrative fees	843,868	-	843,868
Unrealized gains on investments	4,188,951	15,498	4,204,449
Realized gains on investments	1,429,379	5,231	1,434,610
Change in receivables from trusts and estates	-	83,849	83,849
Change in annuity obligations	-	34,008	34,008
Net assets released from donor restrictions	175,063	(175,063)	-
Total support and revenues	11,124,906	2,182,233	13,307,139
EXPENSES			
Program services and grant making	3,326,969	-	3,326,969
General and administrative	1,446,582	-	1,446,582
Investment management fees	276,397	-	276,397
Fundraising	111,734	-	111,734
Total expenses	5,161,682	-	5,161,682
Change in net assets	5,963,224	2,182,233	8,145,457
NET ASSETS			
Beginning	60,095,971	2,015,880	62,111,851
Ending	$ 66,059,195	$ 4,198,113	$ 70,257,308

The Notes to Financial Statements are an integral part of this statement.

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
With Comparative Totals For The Year Ended June 30, 2018

	Program	Administration	Fundraising	Total	Year Ended June 30, 2018 Total
Grants and other assistance	$ 3,239,304	$ -	$ -	$ 3,239,304	$ 3,045,009
Annuity payments	27,518	-	-	27,518	27,893
Administrative fees	-	858,270	-	858,270	816,146
Professional services	185	28,669	185	29,039	24,546
Events	11,453	-	15,101	26,554	23,907
Benefits	35,971	56,526	10,277	102,774	83,754
Information technology	15,689	33,369	4,483	53,541	49,511
Travel	1,530	2,404	437	4,371	3,910
Payroll taxes	13,451	21,137	3,843	38,431	37,027
Investment fees	-	248,391	-	248,391	276,397
Insurance	384	8,592	110	9,086	9,005
Marketing	17,608	11,190	70,484	99,282	29,092
Office	3,842	6,770	2,781	13,393	12,871
Postage	1,240	1,948	354	3,542	4,142
Occupancy	-	104,626	-	104,626	104,626
Salaries	183,916	289,011	52,548	525,475	481,710
Professional development	-	1,448	-	1,448	3,682
Telephone	1,718	2,700	491	4,909	4,490
Depreciation	-	19,919	-	19,919	20,080
Bad debt	-	84,806	-	84,806	95,030
Miscellaneous	-	3,550	6,615	10,165	8,854
Total functional expenses	$ 3,553,809	$ 1,783,326	$ 167,709	$ 5,504,844	$ 5,161,682

COMMUNITY FOUNDATION SERVING WESTERN VIRGINIA

STATEMENTS OF CASH FLOWS
June 30, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ 6,692,913	$ 8,145,457
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	19,919	20,080
Unrealized/realized gains on investments, net	(3,147,046)	(5,861,989)
Unrealized/realized gains on agency funds	(130,204)	(253,389)
Change in:		
Contributions receivable from remainder trusts and estates	(3,493,394)	(2,300,792)
Prepaid expenses	(1,401)	(2,627)
Grants payable	5,930	(60,300)
Accounts payable and accrued liabilities	17,101	102
Annuity obligations	19,850	(34,008)
Agency funds	53,347	562,170
Net cash provided by operating activities	37,015	214,704
INVESTING ACTIVITIES		
Proceeds from sales of investments	4,086,000	5,733,062
Purchases of investments	(3,667,793)	(6,033,663)
Educational loans receivable, net	(388,260)	126,274
Purchases of property and equipment	(29,869)	(7,908)
Net cash provided by (used in) investing activities	78	(182,235)
Net change in cash and cash equivalents	37,093	32,469
CASH AND CASH EQUIVALENTS		
Beginning	1,018,976	986,507
Ending	$ 1,056,069	$ 1,018,976

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Community Foundation Serving Western Virginia (the "Foundation") is a publicly-supported community foundation, which was created in Virginia in 1988 and began operations in March 1990. The Foundation strives to provide a cost effective, efficient vehicle through which donors can make contributions and have them administered to a variety of charities throughout the southwestern Virginia region. Effective July 17, 2018, the Board of Governors approved changing the name of Community Foundation of Western Virginia, Inc. d/b/a Foundation for Roanoke Valley to Community Foundation Serving Western Virginia.

Basis of presentation

The financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Foundation receives contributions from donors with stipulations regarding distributions of the assets and the earnings from the assets, but maintains a variance power over these contributions. While the Foundation attempts to meet the desires expressed by the donors at the time of the contributions, the Foundation reserves the right to modify any restrictions or conditions on the distribution of funds for any specified charitable purpose or to specified organizations if, in the sole judgment of the Foundation's Board of Governors, such restrictions or conditions become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. Accordingly, the financial statements classify all net assets as net assets without donor restriction, with the exception of assets related to charitable remainder trusts, charitable gift annuities, and educational loan receivables, which are classified as net assets with donor restriction due to the time restrictions of the assets. The financial statements report amounts separately by class of net assets as follows:

Net assets without donor restrictions:

1. **Undesignated funds** provide the best flexibility to meet present, emerging, and future community needs. The Foundation's Board of Governors applies this fund to the areas of greatest need in the communities of southwestern Virginia.
2. **Field of interest funds** enable donors to specify their funds to a particular charitable area of interest. Specific grant recipients within that field are chosen by the Board of Governors.
3. **Designated funds** allow donors to specify which charitable organizations or programs are to benefit from the fund.
4. **Advised funds** enable donors to establish a fund and periodically make recommendations to the Board of Governors as to grants from the fund.
5. **Scholarship funds** enable donors to provide annual financial support to deserving young men and women pursuing higher-education studies at accredited schools or universities. Recipients are selected in accordance with federal laws through a board-approved, objective, and non-discriminatory process.

(Continued)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Net assets (Continued)

Net assets with donor restrictions are limited in use by donor-imposed stipulations that expire either by the passage of time or that can be fulfilled by action of the Foundation. There were net assets with donor restrictions of $8,095,161 and $4,198,113 for June 30, 2019 and 2018, respectively.

In accordance with the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Governors, the endowment funds are invested in a manner that is intended to produce stated investment results while assuming a moderate level of investment risk. The Foundation's spending and investment policies work together to achieve this objective.

The investment policy establishes an achievable return objective through diversification of asset classes. To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater value on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds for grantmaking and administration. The current spending policy is to distribute an amount up to 5% of a moving 12-quarter average, unless a different amount is stated in the fund agreement. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor originally gifted to the Foundation. This may be caused by the timing of the gift and/or investment market conditions. The Foundation allows spending from these underwater endowments in accordance with its board-approved spending policy. As of June 30, 2019 and 2018, the value of underwater endowments was immaterial.

(Continued)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncement

During 2019, the Foundation adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of June 30, 2017 and 2018 follows:

	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Assets Classifications			
At June 30, 2017:			
As previously presented:			
Unrestricted	$ 68,095,971	$ -	$ 68,095,971
Temporarily restricted	2,015,880	-	2,015,880
Permanently restricted	-	-	-
Net assets as previously presented	62,111,851	-	62,111,851
Net assets at June 30, 2017, as reclassified	$ 60,095,971	$ 2,015,880	$ 62,111,851
At June 30, 2018:			
As previously presented:			
Unrestricted	$ 66,059,195	$ -	$ 66,059,195
Temporarily restricted	-	4,198,113	4,198,113
Permanently restricted	-	-	-
Net assets as previously presented	66,059,195	4,198,113	70,257,308
Net assets at June 30, 2018, as reclassified	$ 66,059,195	$ 4,198,113	$ 70,257,308

(Continued)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

For purposes of the statements of cash flows, the Foundation considers all highly liquid debt instruments with a purchased maturity of less than three months to be cash equivalents, except for those short-term investments managed as part of long-term investment strategies.

Investments

Investments in marketable securities are carried at fair value. The fair value of interests in hedge funds, private equities, and real assets are determined in good faith by external investment managers or other independent sources and reviewed by management. Because these alternative investments are not readily marketable, their estimated value is subject to additional uncertainty and therefore, value realized upon disposition may vary significantly from reported values.

Investment income (including realized gains and losses on investments, interest, and dividends) and unrealized gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Management periodically reviews its investment portfolio for other than temporary declines. Securities that are deemed to have other than temporary declines are assigned a new cost basis based on the fair value at the determination date. The difference in the old and new basis is recorded in investment income.

Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at the date of gift. Purchases and sales of investments are recorded on the trade date.

Investment securities are exposed to several risks, such as interest rate, currency, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Foundation’s financial statements.

The Foundation manages an investment pool. Investment income is allocated to all pooled funds on a quarterly basis using the average balance in each fund during the quarter. The pool consists of funds free from donor restriction and limited by donor restriction.

Property and equipment

Property and equipment are stated at cost. Donated assets are recorded at their estimated fair values at date of contribution. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to ten years for office furniture and equipment. It is the Foundation’s policy to capitalize property and equipment expenditures over $700. Accumulated depreciation was $143,528 and $123,609 at June 30, 2019 and 2018, respectively.

(Continued)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Income taxes

The Foundation is exempt from federal and state income tax under Section 501(c)(3) of the *Internal Revenue Code* (*IRC*) and the tax statutes of the Commonwealth of Virginia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Foundation has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2019. The Foundation is not categorized as a private foundation and has no unrelated business income subject to federal or state income tax under Section 511 of the *IRC*.

Credit risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist of cash and cash equivalents and investments. The Foundation places its cash and cash equivalents in high credit quality financial institutions. On June 30, 2019 and 2018, a portion of the Foundation's deposits were in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Concentration of credit risk for investments is limited by the Foundation's policy of diversification.

Annuity obligations

The Foundation is a participant in several charitable gift annuities. Under these agreements, the donor contributes a sum of money to be invested by the Foundation. The Foundation makes an annual distribution to the donor for life. The present value of this future benefit is recorded as a liability. Upon the donor's death, the remaining principal and income are held for specified charitable organizations.

Agency funds

In accordance with accounting principles generally accepted in the United States of America, a liability is established when a not-for-profit organization establishes a fund at the Foundation with its own funds and specifies itself as the beneficiary of that fund. The Foundation maintains variance power and legal ownership of these agency funds and as such continues to report the funds as assets of the Foundation. Revenues and expenses are reported net of agency funds on the statements of activities.

(Continued)

Note 1. Nature of Operations and Summary of Significant Accounting Policies (Continued)

Allocation of expenses

The costs of providing the various programs, grants, and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

The financial statements report expenses that are attributed to more than one program or supporting function. Therefore expenses require allocation on a reasonable basis that is consistently applied. All expenses are allocated on the basis of estimates of time and effort.

Subsequent events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 11, 2020, the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

The financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures are as follows as of year ended June 30, 2019:

Cash	$ 365,431
Administrative funds held in investment, net	929,602
Less: Accounts Payable and accrued liabilities	(52,295)
Less: Upcoming rent payments	(106,219)
	$ 1,136,519

The Foundation draws Administrative Fees at the beginning of each fiscal year and these administrative fees, along with donations to the Foundation's operating funds, are the primary funding source for general operating expenditures for the Foundation. In FY19, administrative fees were $887,095.

Note 3. Investments

Investment activity is reflected below:

	2019	2018
Investments – beginning	$ 68,487,485	$ 62,071,506
Investment returns:		
Dividends and interest	654,833	514,476
Net realized gains	2,711,287	1,432,406
Agency funds net realized gains	128,336	64,119
Net unrealized gains	41,021	4,204,427
Agency funds net unrealized gains	1,868	189,270
Investment expenses	(260,096)	(289,320)
Purchases	3,667,794	6,033,663
Sales	(4,086,000)	(5,733,062)
Investments – ending	$ 71,346,528	$ 68,487,485

Note 4. Fair Value of Measurements

The Foundation has adopted accounting standards which establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in methodologies used at June 30, 2019 and 2018. Following is a description of the valuation methodologies used for assets and liabilities measured at fair value:

Stocks and mutual funds (Level 1): Valued at closing price reported on the active market on which the individual securities are traded.

(Continued)

Note 4. Fair Value of Measurements (Continued)

Corporate bonds (Level 2): Valued at quoted market prices of similar investments in active markets or quoted prices for identical or similar instruments in inactive markets.

Limited partnerships (Level 3): The Foundation uses the net asset value (NAV) or capital balances of its interest in the limited partnerships as a practical expedient to determine the fair value of its interest in the net assets of these entities. The fair value of certain investments in the underlying entities, which may include private placements and other securities for which values are not readily available, are determined in good faith by the investment advisors of the respective entities and may not reflect amounts that could be realized upon immediate sale, nor amounts that may be ultimately realized. The fair values of these investments are estimated using the NAV provided by the general partner as a practical expedient. These fair values may differ significantly from the values that would have been used had a ready market existed for these investments, and these differences could be material. Net asset valuations are provided quarterly by these entities. Appreciation of investments in these entities is net of all fee allocations to the investment advisors.

Remainder trusts receivable (Level 3): Valued at the net present value of future cash flows expected to be received based on life expectancies of the donors and an applicable discount rate.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 27,864,877	$ -	$ -	$ 27,864,877
Stocks	13,361,454	-	-	13,361,454
Foreign common stock	1,225,316	-	-	1,225,316
Corporate bonds	-	323,383	-	323,383
Limited partnerships: (b)				
Multi-asset class (a)(c)	-	-	-	17,719,426
Global bond (a)	-	-	-	1,877,070
Private equities (a)	-	-	-	3,406,003
Real assets (a)	-	-	-	1,785,134
Total investments	42,451,647	323,383	-	67,562,663
Remainder trusts receivable	-	-	7,623,831	7,623,831
	$ 42,451,647	$ 323,383	$ 7,623,831	$ 75,186,494

(Continued)

Note 4. Fair Value of Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 27,015,700	$ -	$ -	$ 27,015,700
Stocks	13,090,495	-	-	13,090,495
Foreign common stock	263,247	-	-	263,247
Corporate bonds	-	256,184	-	256,184
Limited partnerships (b):				
Multi-asset class (a)(c)	-	-	-	17,906,104
Global bond (a)	-	-	-	1,783,496
Private equities (a)	-	-	-	2,977,578
Real assets (a)	-	-	-	1,970,953
Total investments	40,369,442	256,184	-	65,263,757
Remainder trusts receivable	-	-	4,130,437	4,130,437
	$ 40,369,442	$ 256,184	$ 4,130,437	$ 69,394,194

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Foundation has $3,783,865 and $3,223,728 of cash balances included in investments as of June 30, 2019 and 2018, respectively, which is not required to be classified into a Level as prescribed within the guidance.

(b) This class includes limited partnerships whose investment objectives seek to produce absolute and consistent risk-adjusted returns. For certain limited partnership investments, partners have the right to periodically withdraw amounts subject to certain restrictions.

(c) Mangham Associates Endowment Partners (MAEP) is an investment vehicle managed by Mangham Associates that pools investments for small to mid-size endowments to allow for access to larger funds. The MAEP investment portfolio was allocated across the following asset classes at June 30:

	2019	2018
Global developed equity funds	71.7%	71.1%
Emerging markets equity funds	12.1%	13.3%
Hedged equity	15.1%	15.1%
Cash and cash equivalents	1.1 %	- %
Redemptions receivable	- %	- %
Other assets	- %	- %

Note 4. Fair Value of Measurements (Continued)

Level 3 gains and losses

The table below sets forth a summary of changes in the fair value of the Foundation's Level 3 investment assets at June 30, 2019:

	Receivables
Balance at June 30, 2017	$ 1,829,645
Net changes in fair value	-
Sales and purchases	-
Additional receivables	2,300,792
Balance at June 30, 2018	4,130,437
Net changes in fair value	-
Sales and purchases	-
Additional receivables	4,657,594
Payments on receivables	(1,164,200)
Balance at June 30, 2019	$ 7,623,831

Unfunded commitments

The Foundation's non-marketable limited partnerships have unfunded commitments of $1,705,000 as of June 30, 2019. Unfunded commitments are drawn down throughout the life of the investment based on the cash needs of each individual limited partnership. Limited partnerships with unfunded commitments have remaining lives of 1 to 9 years.

Note 5. Contributions Receivable

Contributions receivable with donor restrictions from remainder trusts and estates consist of the following at December 31:

	2019	2018
Expected to be collected in:		
Less than one year	$ 5,295,831	$ 2,051,071
One to five years	2,698,160	2,445,796
Gross contributions receivable	7,993,991	4,496,867
Less:		
Actuarial present value of future payments from trusts	(370,159)	(366,430)
Total	$ 7,623,831	$ 4,130,437

Note 6. Educational Loans Receivable

The Foundation has educational loans receivable at June 30, 2019 and 2018 that consist of $627,907 and $326,581, respectively, in promissory notes net of an estimated uncollectible allowance of $239,647 and $326,581, respectively. These promissory notes are due from current and former students, have various interest rates and repayment terms, and are collectible through 2023.

Note 7. Operating Leases

On April 10, 2010, the Foundation entered into a lease for its Roanoke office space that commenced on January 1, 2012. The lease had an initial term of five years and one renewal term of five years. The Foundation renewed the lease effective January 1, 2017 and it will terminate on December 31, 2021.

The Foundation leases office space in Martinsville under an operating lease that expired May 31, 2013. In 2013, the Foundation amended the lease, altering the terms to begin June 1, 2013 and end on June 30, 2016. On January 28, 2016, the Foundation extended the lease through June 30, 2019.

Total rental expense for these leases was $104,626 for 2019 and 2018.

The future minimum lease payments for years ending June 30 are as follows:

2020	$ 106,219
2021	109,406
2022	66,573
2023	-
2024	-
	$ 282,198

Note 8. Retirement Plan

The Foundation has a defined contribution retirement plan covering eligible full-time employees. Contributions to the plan during 2019 and 2018 were $45,687 and $41,503, respectively.

Note 9. Pending Accounting Pronouncement

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and establishes a common revenue standard for U.S. financial reporting purposes. The guidance in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (for example, insurance contracts or lease contracts). ASU 2014-09 supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and most industry-specific accounting guidance. Additionally, ASU 2014-09 supersedes some guidance included in ASC 605-35, *Revenue Recognition – Construction-Type and Production-Type Contracts*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (for example, assets within the scope of ASC 360, *Property, Plant, and Equipment*, and intangible assets within the scope of ASC 350, *Intangibles – Goodwill and Other*) are amended to be consistent with the guidance on recognition and measurement (including the constraint on revenue) in ASU 2014-09. In July 2015, the FASB approved to defer the effective date of ASU 2014-09 by one year. Accordingly, ASU 2014-09 will be effective for nonpublic entities for annual reporting periods beginning after December 15, 2018 and interim periods therein.

Lease accounting

On February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that lessees recognize all leases (other than leases with a term of twelve months or fewer) on the balance sheet as lease liabilities, based upon the present value of the lease payments, with corresponding right of use assets. ASU 2016-02 also makes targeted changes to other aspects of current guidance, including identifying a lease and lease classification criteria as well as the lessor accounting model, including guidance on separating components of a contract and consideration in the contract. The amendments in ASU 2016-02 will be effective for the Foundation on July 1, 2021, and will require modified retrospective application as of the beginning of the earliest period presented in the financial statements. Early application is permitted.